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On behalf of the citizens of Ohio's 12th Congressional District, I congratulate the Thomas Worthington Field Hockey Team on their state championship. I wish them continued success in both athletic and academic endeavors.

# INTRODUCTION OF THE PROTECTING EMPLOYEES AND RETIREES IN MUNICIPAL BANKRUPTCIES ACT OF 2017

**HON. JOHN CONYERS, JR.**

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 3, 2017*

Mr. CONYERS. Mr. Speaker, when a municipality files for bankruptcy, its employees and retirees who have devoted their lives to public service, such as police officers, firefighters, sanitation workers and office personnel, risk having their hard-earned wages, pensions and health benefits cut or even eliminated.

This is why I am introducing the Protecting Employees and Retirees in Municipal Bankruptcies Act of 2017. This legislation strengthens protection for employees and retirees under chapter 9 municipality bankruptcy cases by: (1) clarifying the criteria that a municipality must meet before it can obtain chapter 9 bankruptcy relief; (2) ensuring that the interests of employees and retirees are represented in the chapter 9 case; and (3) imposing heightened standards that a municipality must meet before it may modify any collective bargaining agreement or retiree benefit.

While many municipalities often work to limit the impact of budget cuts on their employees and retirees, as demonstrated in the chapter 9 plan of adjustment approved by Detroit's public employees and retirees, other municipalities could try to use current bankruptcy law to set aside collective bargaining agreements and retiree protections.

My legislation addresses this risk by requiring the municipality to engage in meaningful good faith negotiations with its employees and retirees before the municipality can apply for chapter 9 bankruptcy relief. This measure would also expedite the appellate review process of whether a municipality has complied with this and other requirements. The bill ensures employees and retirees have a say in any plan that would modify their benefits.

## SECTION-BY-SECTION EXPLANATION

Sec. 1. Short Title. Section 1 of the bill sets forth the short title of the bill as the "Protecting Employees and Retirees in Municipal Bankruptcies Act of 2017."

Sec. 2. Determination of Municipality Eligibility To Be a Debtor Under Chapter 9 of Title

11 of the United States Code. A municipality can petition to be a debtor under chapter 9, a specialized form of bankruptcy relief, only if a bankruptcy court finds by a preponderance of the evidence that the municipality satisfies certain criteria specified in Bankruptcy Code section 109. In the absence of obtaining the consent of a majority of its creditors, section 109 requires the municipality, in pertinent part, to have negotiated in good faith with its creditors or prove that it is unable to negotiate with its creditors because such negotiation is impracticable.

Section 2(a) of the bill amends Bankruptcy Code section 109 in three respects. First, it provides clear guidance to the bankruptcy court that the term "good faith" is intended to have the same meaning as it has under the National Labor Relations Act, at least with respect to creditors who are employees or retirees of the debtor. Second, section 2(a) revises the standard for futility of negotiation from "impracticable" to "impossible." This change ensures that before a municipality may avail itself of chapter 9 bankruptcy relief, it must prove that there was no possible way it could have engaged in negotiation in lieu of seeking such relief. Third, the amendment clarifies that the standard of proof that the municipality must meet is "clear and convincing" rather than a preponderance of the evidence. These revisions to section 109 will provide greater guidance to the bankruptcy court in assessing whether a municipality has satisfied the Bankruptcy Code's eligibility requirements for being granted relief under chapter 9.

Bankruptcy Code section 921(e), in relevant part, prohibits a bankruptcy court from ordering a stay of any proceeding arising in a chapter 9 case on account of an appeal from an order granting a municipality's petition to be a debtor under chapter 9. Section 2(b) strikes this prohibition, thereby allowing a court to issue a stay of any proceeding during the pendency of such an appeal. This ensures that the status quo can be maintained until there is a final appellate determination of whether a municipality is legally eligible to be a chapter 9 debtor.

Typically, an appeal of a bankruptcy court decision is heard by a district or bankruptcy appellate panel court. Under limited circumstances, however, a direct appeal from a bankruptcy court decision may be heard by a court of appeals. Until a final determination is made as to whether a municipality is eligible to be a debtor under chapter 9 of the Bankruptcy Code, the rights and responsibilities of numerous stakeholders are unclear. To expedite the appellate process and promote greater certainty to all stakeholders in the case, section 2(c) of the bill allows an appeal of a bankruptcy court order granting a municipality's petition to be a chapter 9 debtor to be filed directly with the court of appeals. In addition, section 2(c) requires the court of appeals to hear such appeal de novo on the merits as well as to determine it on an expedited basis. Finally, section 2(c) specifies that the doctrine of equitable mootness does not apply to such an appeal.

Sec. 3. Protecting Employees and Retirees. The chapter 9 debtor must file a plan for the adjustment of the municipality's debts that then must be confirmed by the bankruptcy court if it satisfies certain criteria specified in Bankruptcy Code section 943. Section 3 of the bill makes several amendments to current law

intended to ensure that interests of municipal employees and retirees are better protected. With respect to plan confirmation requirements, section 3 amends Bankruptcy Code section 943 to require consent from such employees and retirees to any plan that impairs—in a manner prohibited by nonbankruptcy law—a collective bargaining agreement, a retiree benefit, including an accrued pension, retiree health, or other retirement benefit protected by state or municipal law or as defined in Bankruptcy Code section 1114(a).

Such consent would be conveyed to the court by the authorized representative of such individuals. Subject to certain exceptions, section 3 specifies that the authorized representative of individuals receiving any retirement benefits pursuant to a collective bargaining agreement is the labor organization that signed such agreement unless such organization no longer represents active employees. Where the organization no longer represents active employees of the municipality, the labor organization that currently represents active employees in that bargaining unit is the authorized representative of such individuals.

Section 3 provides that the exceptions apply if: (1) the labor organization chooses not to serve as the authorized representative; or (2) the court determines, after a motion by a party in interest and after notice and a hearing, that different representation is appropriate. Under either circumstance, the court, upon motion by any party in interest and after notice and a hearing, must order the United States Trustee to appoint a committee of retired employees if the debtor seeks to modify or not pay the retiree benefits or if the court otherwise determines that it is appropriate for that committee to be comprised of such individuals to serve as the authorized representative.

With respect to retired employees not covered by a collective bargaining agreement, the court, on motion by a party in interest after notice and a hearing, must order the United States Trustee to appoint a committee of retired employees if the debtor seeks to modify or not pay retiree benefits, or if the court otherwise determines that it is appropriate to serve as the authorized representative of such employees. Section 3 provides that the party requesting the appointment of a committee has the burden of proof.

Where the court grants a motion for the appointment of a retiree committee, section 3 requires the United States Trustee to choose individuals to serve on the committee on a proportional basis per capita based on organization membership from among members of the organizations that represent the individuals with respect to whom such order is entered. This requirement ensures that the committee, in a case where there are multiple labor organizations, fairly represents the interests of the members of those various organizations on a proportional basis.

Finally, section 3 of the bill imposes a significant threshold that must be met before retiree benefits can be reduced or eliminated. Current law has no such requirement. In a case where the municipality proposes in its plan to impair any right to a retiree benefit, section 3 permits the committee to support such impairment only if at least two-thirds of its members vote in favor of doing so.

IN HONOR OF THE BISHOP HARTLEY HIGH SCHOOL FOOTBALL TEAM

**HON. PATRICK J. TIBERI**

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 3, 2017*

Mr. TIBERI. Mr. Speaker, I rise today to recognize the Bishop Hartley High School Football Team for winning the Ohio Division IV State Football Tournament.

An achievement such as this certainly deserves recognition. The Ohio High School Athletic Association has enabled talented teams and individuals to earn state titles since its founding in 1907. Throughout this time, the champions of OHSAA state level competitions have represented the highest achieving and most talented athletes in Ohio. Each year these elite competitors join the long ranks of those who embody Ohio's proud history of athletic success.

The Bishop Hartley Football Team's victory caps a tremendous season. This sort of achievement is earned only through many hours of practice, perspiration and hard work. They have set a new standard for future athletes to reach. Everyone at Bishop Hartley High School can be extremely proud of their performance.

On behalf of the citizens of Ohio's 12th Congressional District, I congratulate the Bishop Hartley Football Team on their state championship. I wish them continued success in both athletic and academic endeavors.

CELEBRATING THE 150TH ANNIVERSARY OF THE TOWNSHIP OF MONTVILLE, NEW JERSEY

**HON. RODNEY P. FRELINGHUYSEN**

OF NEW JERSEY

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 3, 2017*

Mr. FRELINGHUYSEN. Mr. Speaker, I rise today to honor the Township of Montville, New Jersey on its 150th Anniversary.

Montville Township is a beautiful, suburban community located in Morris County in northwestern New Jersey bordered by the Passaic River. The Township's nineteen square miles are comprised of three towns: Montville, Pine Brook, and Towaco. As of 2013 U.S. Census estimates, there are approximately 21,663 people living within the Township. These residents enjoy an active, vibrant community with a full range of municipal services, an excellent public school system, and a first-rate public library that provides services, activities, and volunteer opportunities for people of all ages.

Originally known as "Uyle-Kill" (the Dutch spelling of "Owl-Kill"), the region now known as Montville Township was first settled by Dutch farmers in the early 18th Century. The settlement grew in size, and by the 1740's, construction of the first major road in the area had begun.

This road was to come of use in the Revolutionary War, during which Montville served as a major military route from Morristown to the Hudson River. General Washington's troops often took this route, and Washington himself stayed in Montville in June of 1780. French reinforcement troops led by General Rocham-

beau also passed through Montville on their way to the Revolutionary War's final victory at Jamestown, Virginia.

The mid-19th Century saw the development of two smaller village centers set apart from Montville—Pine Brook, a fertile agricultural area in the Township's southern end, and Whitehall (later called Towaco), situated on the Morris Canal. Construction of the Morris Canal was completed in this area in 1828, bringing commercial navigation to the Montville and Towaco areas. On April 11, 1867, the Township of Montville was formally chartered from nineteen square miles of territory formerly belonging to Pequannock Township.

Montville Township has consistently ranked among the best places to live both in New Jersey and across the country.

Montville Township has also been recognized for its commitment to public safety, which directly impacts the quality of living in the community. The Township has also implemented a Community Dispute Resolution Committee to aid law enforcement by independently mediating citizen disputes.

Finally, Montville has taken a proactive approach to streamlining its business development approval process, making the Township a great place to start or relocate a business.

Mr. Speaker, I ask that you and our colleagues join me in congratulating Montville on its Sesquicentennial Anniversary.

INTRODUCTION OF THE PROTECTING EMPLOYEES AND RETIREES IN BUSINESS BANKRUPTCIES ACT OF 2017

**HON. JOHN CONYERS, JR.**

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 3, 2017*

Mr. CONYERS. Mr. Speaker, throughout our Nation's history, hardworking American men and women have labored to make our businesses become the most productive and dynamic in the world. Unfortunately, when some of these businesses encounter financial difficulties and seek to reorganize their debts under Chapter 11 of the Bankruptcy Code, these very same workers and retirees are often asked to make major sacrifices through lost job protections, lower wages, and the elimination of hard-won pension and health benefits, while the executives and managers of these businesses are not required to make comparable sacrifices.

We must do more to ensure that America's most important resource—workers and retirees—are treated more fairly when these businesses seek to reorganize their financial affairs under the protection of our bankruptcy laws. The Protecting Employees and Retirees in Business Bankruptcies Act of 2017 accomplishes this goal by amending the Bankruptcy Code in several respects. First, it improves recoveries for employees and retirees by: (1) increasing the amount of worker claims entitled to priority payment for unpaid wages and contributions to employee benefit plans up to \$20,000; (2) eliminating the difficult to prove restriction in current law that wage and benefit claims must be earned within 180 days of the bankruptcy filing in order to be entitled to priority payment; (3) allowing employees to as-

sert claims for losses in certain defined contribution plans when such losses result from employer fraud or breach of fiduciary duty; (4) establishing a new priority administrative expense for workers' severance pay; and (5) clarifying that back pay awards for WARN Act damages are entitled to the same priority as back pay for other legal violations.

Second, the legislation reduces employees' and retirees' losses by: (1) restricting the conditions under which collective bargaining agreements and commitments to fund retiree pensions and health benefits may be eliminated or adversely affected; (2) preventing companies from singling out non-management retirees for concessions; (3) requiring a court to consider the impact a bidder's offer to purchase a company's assets would have on maintaining existing jobs and preserving retiree pension and health benefits; and (4) clarifying that the principal purpose of Chapter 11 bankruptcy is the preservation of jobs to the maximum extent possible.

Third, the bill restricts excessive executive compensation programs by: (1) requiring full disclosure and court approval of executive compensation packages; (2) restricting the payment of bonuses and other forms of incentive compensation to senior officers and others; and (3) ensuring that insiders cannot receive retiree benefits if workers have lost their retirement or health benefits.

This legislation is identical to H.R. 97, introduced in the 114th Congress, H.R. 100, introduced in the 113th Congress, and H.R. 6117, introduced in the 112th Congress. It is supported by the AFL-CIO and many of its largest affiliates. A section-by-section explanation of the bill follows:

Sec. 1. Short Title. Section 1 sets forth the short title of the bill as the "Protecting Employees and Retirees in Business Bankruptcies Act of 2017." It also includes a table of contents for the bill.

Sec. 2. Findings. Section 2 sets forth various findings in support of this bill. Title I—Improving Recoveries for Employees and Retirees.

Sec. 101. Increased Wage Priority. Bankruptcy Code section 507 accords priority in payment status for certain types of claims, i.e., these priority claims must be paid in full in the order of priority before general unsecured claims may be paid. Section 507(a)(4) accords a fourth level priority to an unsecured claim up to \$10,000 owed to an individual for wages, salaries, or commissions (including vacation, severance, and sick leave pay) earned within the 180-day period preceding the filing of the bankruptcy case or the date on which the debtor's business ceased, whichever occurs first. Section 101 amends section 507(a)(4) to increase the amount of the priority to \$20,000 and eliminate the 180-day reachback limitation.

Bankruptcy Code section 507(a)(5) accords a fifth level priority for unsecured claims for contributions to an employee benefit plan arising from services rendered within the 180-day period preceding the filing of the bankruptcy case or the date on which the debtor's business ceased (whichever occurs first). The amount of the claim is based on the number of employees covered by the plan multiplied by \$10,000, less the aggregate amount paid to such employees pursuant to section 507(a)(4) and the aggregate amount paid by the estate on behalf of such employees to any other employee benefit plan. Section 101 amends